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## Cuba at the beginning of the 21st century – possibilities for economic transformation

### **Introduction**

The Cuban regime is a unique system with regard to its history and structure, and first and foremost its durability. Cuba has remained the only economy outside the East Asia region where communism has survived the fall of the Soviet bloc, held out a deep economic crisis and withstood extensive changes in the Eastern Europe. Although nowadays the island remains faithful to Marxist ideas on governing a country, analysts predict that it will have to face a range of deep market reforms soon. It seems that Cuba is on the threshold of entering a new phase and its interesting case induces more thorough analysis of its situation.

### **1. Cuba under the economic rule of the Castro brothers**

At the beginning of the 21st century the economic situation in Cuba still posed some problems, the Castro regime was losing its strength, and unsolved problems of the country affected its situation. The USSR collapse and the U.S. embargo which had been tightened in 1992, could still be felt, but relations with Latin American countries, which had been built since the mid-20th century, came to the rescue. The closest rapprochement occurred between Cuba and Venezuela, which has practically been a sponsor of the Cuban economy since 2000.

The difficult economic situation was often worsened by incoherent decisions of the authorities, which sometimes led to capitalist solutions, and some other times towards deep socialism. The most groundbreaking and pro-growth decision was made with regard to the key Cuban export commodity which had always been the base of its mono cultural economy. In 2002, 71 out of 156 operating at that time sugar factories were closed as a consequence of declining profitability of the sugar export.

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It resulted in a drop in production of sugar cane from more than 8 million tones in 1970 to about 1 million tones in 2010. As a result, sugar ceased to be a strategic product and became an insignificant commodity, whose position was overtaken by nickel, and also tourism, which has been the main component of the Cuban GDP (nowadays about 3.3%) up to now.<sup>1</sup>

However, the ban on the US dollar introduced in 2004 overshadowed this promising decision with regard to an economic diversification. It resulted in an even deeper social stratification between citizens, and paradoxically contradicted the idea of egalitarianism promoted by the Castro brothers.

In 2006, Fidel Castro's health declined so much that he handed over temporary power to Raul who 18 months later was officially elected President. Raul Castro became Cuba's second most important person as early as in the 90's of the 20th century, when he attempted to introduce market solutions to the economy as Vice-President and the Minister of Defence. However, he took up the highest position no earlier than in 2008, and this change at the highest echelons of power induced a lively discussion and hopes for changes. Swift reforms, economic opening up of Cuba, and finally a rapprochement with the United States were expected. The reality turned out to be different: the introduced reforms were not effective enough, and changes did not come up to the expectations of the world.

A lot of restrictions curbing free economic activities were maintained and the introduced reforms were an illusion of a liberal state. The new law permitting trade in cars, purchase of real estate and possession of mobile phones could not have been actually taken advantage of by an ordinary citizen. Economic development of the island was even more hindered by such issues as the wholesale market of agricultural products, which had been promised for a long time, and a list of 181 occupations which allowed self-employment. Last but not least, the government appeared to be undecided with regard to foreign investments. A lot

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<sup>1</sup> A change in the approach to this source of income is stressed by Fidel Castro's words: 'In the past we feared that tourism would disgrace us, but tourism means gold.' Compare: M. Gawrycki, N. Bloch, *Kuba*, Wydawnictwo Trio, Warszawa 2010, p. 437.

of projects were postponed or utterly rejected.<sup>2</sup> Reforms are hampered by the bureaucracy deeply rooted on the island, society's fears of rising prices and politicians' fears of losing the power. Raul Castro who perceives the world in a more realistic way, seems to be aware of the difficult situation on the island: the shrinking and aging society, the ineffective economy and agriculture, the inefficient public sector and social welfare, and also the effects of the latest economic crisis which left its mark on this poor island causing a decrease of the tourism flows by 11% between 2008 and 2010.<sup>3</sup> In addition, Cuba's economy was adversely affected by a fall in oil prices, which lead to Venezuela's assistance restrictions and a substantial drop in prices of the main export commodities, including nickel. Finally, the U.S. policy towards Cuba also has an unfavourable impact on the situation.<sup>4</sup>

In 2010, Raul Castro began a reassessment of the Cuban socialism, and the drawn conclusions are to be used as a tool for directing the economy towards the Chinese model. However, specialists are sceptical about it. Bearing in mind the President's repeated declarations of his intention to merely improve the economic situation of the country instead of changing the centrally planned system, the deep structural reforms are likely to be introduced only after the regime collapses, however, no solution can be excluded.

## 2. The structure of economy and employment

Despite the reforms being implemented, the Cuban economy is still substantially controlled by the state, which considerably hampers the development of the country.<sup>5</sup> Low effectiveness of enterprises controlled by

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<sup>2</sup> *Indecision Time*, "The Economist", [www.economist.com/node/21562954](http://www.economist.com/node/21562954) (15.08.2013); *Edging Towards Capitalism*, "The Economist", [www.economist.com/node/21550416](http://www.economist.com/node/21550416) (24.03.2012).

<sup>3</sup> R. Pérez Torres: *Economic Changes in Cuba: Current Situation and Perspectives*, "Harvard International Review" 2012, Vol. 34, p. 17.

<sup>4</sup> *The Castro: Cuba and America: On the Road Towards Capitalism*, "The Economist", [www.economist.com/node/21551047](http://www.economist.com/node/21551047) (24.03.2012); M. Reid, *Revolution in Retreat*, "The Economist", [www.economist.com/node/21550418](http://www.economist.com/node/21550418) (24.03.2012).

<sup>5</sup> R. Pérez Torres: *Economic Changes in Cuba: Current...*, p. 17.

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the state results in very low economic growth, the rate of which has been insufficient for the internal needs of the country for the last 20 years. Figure 1 shows a change in GDP growth rate between 1980 and 2012.

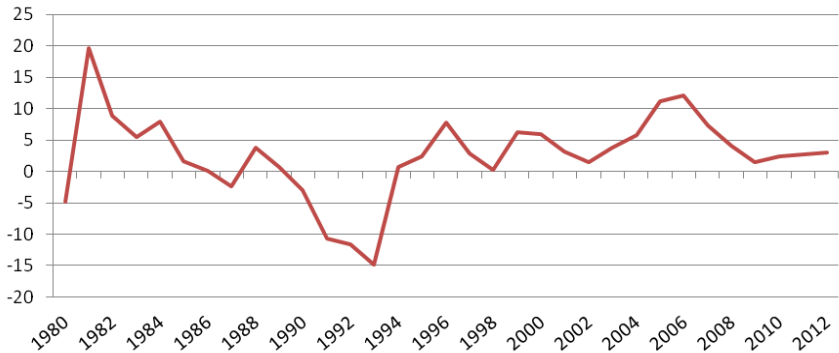


Figure 1. Cuba's GDP growth rate between 1980 and 2012 (%)

Source: Prepared by the authors on the basis of World Bank data (online).

The beginning of the 90's saw a significant decrease in this growth rate as a result of a large economic crisis in Cuba and its slow increase as a consequence of the implemented reforms in the mid-90's. Conveniences for tourists introduced at the turn of the 20th and 21st century facilitated a way-out of the crisis. Between 2004 and 2008, Cuba recorded further GDP growth owing to a favourable trends on the world markets, a rise in nickel prices and Venezuela's assistance. In 2008, however, the GDP growth rate slowed down in consequence of averting the favorable trend in the world economy and worsening an overall economic situation.

The employment structure does not help the GDP to grow as it is still unfavorable in spite of its significant improvement. The public sector prevails and the number of the employed is constant. Currently around 77% of workers are employed by state companies and only 23% work for commercial enterprises. Despite the fact that a role of the private sector is constantly growing, Raul Castro's promise to lay off about 500,000

state workers by 2011, has not been fulfilled yet. Nevertheless, specialists estimate it is possible that about 35–40% of the employed will have been in the private sector by 2015.<sup>6</sup>

### 3. Cuban international trade

The collapse of the USSR resulted in significant changes in both the export and import volumes of Cuba. In the years 1992–2008 import rose substantially, which led to a huge trade deficit owing to a lack of export revenues. It reached the record level of 11 billion USD in 2008 (compare Figure 2).

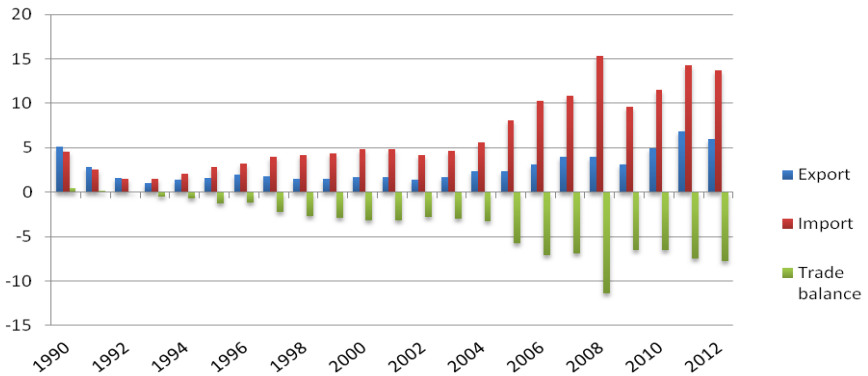


Figure 2. Changes in Cuban foreign trade, 1990–2012 (in billions of USD)

Source: Prepared by the authors on the basis of World Bank data (online).

However, an enormous deficit in the trade exchange was substantially compensated by a surplus in the export of services, which rose almost fifteen fold in the years 1991–2008. The Cuban export reached its level from the 90’s of the 20th century no earlier than in 2010. Recovering from the collapse was initially credited to tourism, but revenues from other services have also contributed to growth in the recent years.

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<sup>6</sup> *Edging Towards Capitalism...*

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It is worth highlighting that the Cuban export became more diversified between 1990 and 2012. After the importance of sugar had diminished, the sales of nickel, tobacco, rum and fish rose. Pharmaceutical goods and the biotechnological industry were also becoming more significant. Medical and educational services became important export goods. Nevertheless, it is important to note that Cuba's dependence on import of food and fuel still remains. Estimates say that more than 80% of food<sup>7</sup> and about 65% of oil<sup>8</sup> are imported in spite of attempts to lessen dependence on these products.

After the disintegration of the communist bloc which had provided the market for 80% of the Cuba's export, the directions of foreign trade also changed. Trade connections with the Eastern Europe, China, Canada and Latin America, especially Venezuela tightened. Currently Cuban goods are mainly sold to: China (24.8%), Canada (21.5%), Venezuela (7.1%), the Netherlands (7.1%) and Spain (6.5%). The geographical structure of import is similar, goods mainly flow from: Venezuela (37.4%), China (9.8%), Spain (8%), Brazil (5.5%) and Canada (4.4%).<sup>9</sup>

#### **4. U.S. – Cuba relations**

By and large, Cuba has had difficult relations with the United States since Fidel Castro seized the power in 1959. Although the end of the Cold War brought hope for an improvement in the situation, it quickly turned out that the anticipated change would not come so quickly. The relations slightly improved in 2000 when the United States Congress allowed American companies, for the first time since the embargo was imposed, to export food products to the island. Between 2000 and 2007 the export of American goods to Cuba rose from 7 million to 447 million USD. This political and economic thaw did not last for a long time. When George W. Bush took over the presidency, the policy towards the island

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<sup>7</sup> Cuba Trade, Exports and Imports in Economy Watch, [www.economywatch.com/world\\_economy/cuba/export-import.html](http://www.economywatch.com/world_economy/cuba/export-import.html) (10.10.2014).

<sup>8</sup> Country Analysis Briefs in U.S. Energy Information Administration, [www.eia.gov/countries/regions-topics.cfm?fips=cr](http://www.eia.gov/countries/regions-topics.cfm?fips=cr) (10.10.2014).

<sup>9</sup> *Index Mundi*, [www.indexmundi.com/cuba](http://www.indexmundi.com/cuba) (15.07.2014).

was radicalized once again. Limits of transferring money were lowered, more obstacles in regard to visits to Cuba appeared, which resulted in the decision of the Cuban authorities to put a ban on the US dollar. In 2006, as part of warming up bilateral relations, Raul Castro offered to resolve the long-lasting dispute by way of negotiations but the United States rejected that proposal. The initial optimism which was attributed to the presidency of Barack Obama, also dried up, and Cuban politicians and the Cubans as well have less and less hope for a positive development of bilateral relations between these two countries.

The conflict of goals both parties want to achieve, represents the primary hindrance to the advancement of relations between these countries. The taken steps lead into the right direction though. According to Wayne Smith, an eminent American diplomat in Havana: “By the end of four years, we may not have lifted the embargo, but I would expect normal relations. Let’s hope I’m right.”<sup>10</sup>

### **5. What path for Cuba? – potential scenarios**

The lively discussion on incoming changes in Cuba has been lasting for almost 50 years. It has been spanning the Cuban revolution, the collapse of the USSR, the deep crisis of the 90’s, the power transference by Fidel Castro to his younger brother, and the latter’s reforms. The recent death of Hugo Chavez, a Venezuelan leader and a long-time partner of Cuba, once again drew the world’s attention to the island. This time deepened interest seems to be justified and more and more specialists say that “a long-lasting march into unknown”, how a process of Cuba’s economic transformation can be described, has surely begun.

Even though it is difficult to predict the political and economic future of Cuba, there is a high possibility that the regime which will supersede the Castro brothers’ rule, will be willing to complete a process of fixing the system and improve living conditions of Cuban citizens. Economic

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<sup>10</sup> O. Ross, *Cuba and U.S. Still at Odds Despite Havana’s Reforms*, The Toronto Star, [www.thestar.com/news/world/2013/03/01/cuba\\_and\\_us\\_still\\_at\\_odds\\_despite\\_havanas\\_reforms.html](http://www.thestar.com/news/world/2013/03/01/cuba_and_us_still_at_odds_despite_havanas_reforms.html) (14.06.2014).

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well-being is an essential condition for government success in all countries, especially in these which undergo a system transformation, and Cuba is not an exception in this case.

Cuba has surely already begun an interesting process of an economic transformation. Reforms which are meant to bring the economic model closer to rules governing markets in the 21st century, are being slowly introduced. The reform process approved in April 2011 during the 6th Congress of the Communist Party of Cuba, is to encompass all sectors of the economy. Its most important principles were presented in so called Guidelines to Social and Economic Policy approved by the National Assembly in April 2011.

The most significant proposals in this document suggest a mixed economy with greater space for a private sector. Other suggestions put into consideration opt for a more decentralized system of making decisions, where local and regional bodies would have greater power and independence to obtain resources needed to complete different projects. Another proposal intends to remove gradually barriers hampering consumption and to create a market for such goods as cars or houses. Moreover, creating an asset market would allow a newly established enterprise to have better access to sources financing investments and to purchase real estate on credit security. Another set of proposals concern promoting expansion of private consumption, which, according to supporters of this option, has a more direct impact on business activities. This change would occur by eliminating gradually a card system and focusing on groups which are the most exposed to a risk of poverty.<sup>11</sup>

Potential directions of a course of Cuba's political and economic situation were analyzed by, among others, a Norwegian political scientist – Vegard Bye. He attempted to assess the current dynamics of political and economic changes on the island and to outline a potential way of their further development on the base of the experience of other countries undergoing a transformation. His main hypothesis is an assumption that

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<sup>11</sup> R. Pérez Torres, *Economic Changes in Cuba*, "Harvard International Review", <http://hir.harvard.edu/crafting-the-city/economic-changes-in-cuba?page=0,1> (30.06.2012).



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the gradual reforms in Cuba are shifting the country from totalitarianism into the direction of a post-totalitarian society. Nevertheless, it is necessary to take into consideration some basic factors which may shape the fate of Cuba in the near future in order to define the nature of these changes. He mentions the following factors as conditioning and influencing the type of transformation in the near future:

- a huge demand for development of business and industry sectors which would be able to generate new jobs,
- a need for increased food production,
- great economic potential of Cuban oil,
- the external situation dominated by the neighbourhood of Latin America countries which support Keynes's solutions for the economy,
- closing ties with the BRICS countries and
- the maintained U.S embargo.

On the basis of the above outlined principles, Vegard Bye has drawn up three potential scenarios mapping out future paths of Cuba's development:

- a) social democratic economy, a gradual introduction of civil and political rights, a multiparty system and an elective government;
- b) mixed economy with a fading autocracy but maintaining a one-party system;
- c) neo-authoritarian state capitalism dominated by the military forces, where the army and other technocrats control the country's policies and economy, which results in a growing danger of nepotism, corruption and concentrating the political and economic power in the hands of oligarchs.

According to Bye, the first or the second scenario may only come into being when small and medium firms as well as private enterprises start their activities, and there is possible access to the market of agricultural and industrial goods. It will steer the economy in the direction of more pluralistic and anti-authoritarian structures. The more possibilities of own initiative and independent activities, the greater likelihood of this scenario. However, if the space for activities of private entrepreneurs

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remains as limited as it is nowadays, and the economy is still dominated by state firms, the authoritarian model will be more likely to occur. Another important factor which may decide on directions of Cuba's development in the future is oil output, although seeking its new sources has not brought the expected results so far. On one hand, a possibility of greater importance of oil production may lead to a bigger danger of an occurrence of the rent seeking model, existing in a lot of countries relying on this natural resource. In this case it might lead to development of authoritarian structures. On the other hand, if there is a great willingness to manage the revenues arising from oil production in a transparent and responsible way, such a danger may be limited, and the oil industry expansion might be a turning point in a political and economic transformation. In the end, Cuba's position on the international market, especially in relations with the BRICS countries and the USA, will be decided by a direction of development or its possible stagnation. Diplomatic or trade ties with Latin American countries with the dominating position of Brazil provide Cuba with a unique possibility of developing a socially responsible market economy.<sup>12</sup>

Emily Morris, an expert in Latin America and the Caribbean, presented another look at the economic future of Cuba. She has drawn up a forecast of the Cuban economy development in 2, 5 and 10 years' time. She presented a projection identifying the factors influencing the island in order to facilitate a debate on its future economic reality. She described initial conditions, assumptions and on their base a forecast for each of the following periods of time: a short one (2011–2012), a bit longer one (2013–2017) and a long one (2018–2037). She based her assumptions on the condition that a power transfer to a younger generation of politicians would occur in a short period of time. The power transfer to new leaders will facilitate carrying out deeper reforms and an improvement of the economic situation. Consequently, a private sector will start its expansion, a rate of investments will be higher, and that will increase

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<sup>12</sup> V. Bye: *The Politics of Cuban Transformation – What Space for Authoritarian Withdrawal?*, “Cuba in Transition” Vol. 22, Washington, Association for the Study of the Cuban Economy, pp. 41–42.

production capacity, create new job positions, facilitate higher food production and make the Cuban economy independent of import. It will facilitate a development of the production sector, which will allow to modernize machines and technologies by drawing foreign investments into the country. A further diversification of export (a development of the medical services sector and a drop in revenues from the tourism industry) and its directions (greater importance of the cooperation with Latin Americas countries) is forecast. The domestic dual-currency system will also change. The two-currency system, which still remains and distorts a competition between state enterprises and private companies, is to be completely abandoned by 2015. The taken up adaptation process will create more chances for freeing prices and triggering market mechanisms, and it will consequently facilitate greater expansion of the private sector, decentralization of administration and a higher role of the banking and finance systems. The author also predicts that Brazil and China will keep their dominant position as the main markets for Cuban goods and the main source of financing. The economy structure will be also changing with a diminishing role of services and rising revenues from the nickel export. In the meantime, although policies will have been further changing in the 20 years' time, their positive impact will be hampered by the aging society, which will result in a slowdown of the GDP growth. To sum up, Emily Morris predicts general domination of positive effects over negative ones, and this will consequently lead to an overall improvement of Cuba's political and economic situation.<sup>13</sup>

It ought to be stressed that each potential scenario is likely to be accompanied by social unrest. This danger arises from fears of changes which may not improve but worsen people's status. In most cases economic advantages of reforms are discernible over the long term and restrictions which have to be faced appear earlier and they are often a source of social discontent. In the perspective of laying off public sector workers in the near future, unemployment may be one of fears shared by Cubans. In addition, Cubans are accustomed to the current situation

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<sup>13</sup> E. Morris, *Forecasting Cuba's Economy: 2, 5, and 20 Years*, The Graduate Center/CUNY, 2011, <http://web.gc.cuny.edu/dept/bildn/cuba/cubaforecasting.pdf> (1.06.2014).

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where most of them live in a highly centralized state and they discern the perspective of changes more with a fear than an enthusiasm, which will make the transformation process more difficult. Moreover, even though the standard of living remains far below the average for industrialized countries, Cubans realize that it is much higher than in the case of a lot of developing countries, and they even take pride in a high level of reading and writing skills which is equal to the U.S. level. Most citizens are also proud of free health care and education. The aforementioned factors contribute to the fact that a lot of Cubans, who are used to such a reality, do not even want a slight change in order not to lose anything. A challenge for the future government is that while introducing reforms it cannot forget about a proper social policy and citizens' contentment.

It will be necessary to become independent from Venezuela, which would surely help to stabilize the Cuban economy. However, their future common relations are up in the air. It is difficult to assess effects of the recent death of Hugo Chavez, Venezuela's leader and a long-time friend of Fidel Castro, in such a short period of time which has passed from this event. Cubans can breathe a sigh of relief so far. During the visit of the new president Nicolas Maduro to Cuba, the alliance between both countries was renewed by an agreement which includes continuing cooperation in the domains of, *inter alia*, the power industry, transport, social programmes, education and it envisages spending 2 billion USD on this project development in 2013.<sup>14</sup> Substantial support which is given to Cuba from Venezuela has a significant importance for its economy, according to various estimates, between 100,000 and 130,000 barrels of oil are received on the island every day. However, the long-term partnership agreement between the countries makes Venezuelan politicians split. Even during the electoral campaign voices of disagreement with the long-term assistance for Cuba could have been heard, and although the last election was won by the man who favours Cuba, it is difficult to assess whether growing discontent from the offered assistance will not

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<sup>14</sup> R. Mallett-Outtrim, *Venezuela and Cuba Deepen "Strategic Alliance"*, *Venezuelanalysis.com*, <http://venezuelanalysis.com/news/8920> (2.05.2014).

result in a policy change by the government and an abrupt end of the co-operation, without which the Cuban economy might not survive.<sup>15</sup>

Each way in which scenarios of the political situation may unfold will have different effects on the economy, which are mirrored in forecasts for the gross domestic product. Figure 3 presents possible paths of the GDP development which take into account seizing the power by different political groups. According to these data, only a reformist government allows dynamic economic growth. The GDP path is drawn much higher in the case when communists open for changes, take over the power than in the case of other two scenarios. Forecasts for 2017 foresee the GDP growth to be five per cent higher when a reformist group wins in comparison with less than four and slightly more than one per cent growth if Raul Castro keeps the power or it is seized by hard-line communists. It ought to be stressed that economic results will not only depend on a governing group but also on a pace of introduced changes.<sup>16</sup>

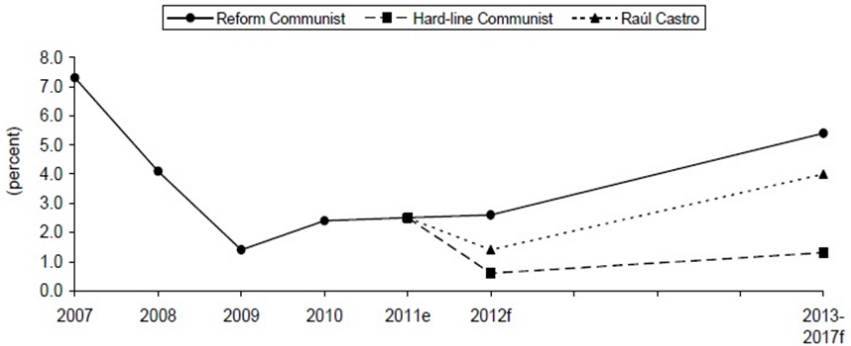


Figure 3. The GDP growth at different variants of system changes

Source: *Cuba Country Report...*

<sup>15</sup> C. Batista, *Venezuelan President Reaffirms Alliance with Cuba*, “The Global-Post”, [www.globalpost.com/dispatch/news/afp/130428/venezuelan-president-reaffirms-alliance-cuba](http://www.globalpost.com/dispatch/news/afp/130428/venezuelan-president-reaffirms-alliance-cuba) (28.04.2013).

<sup>16</sup> *Cuba Country Report*, The PRS Group, Inc., September 2012.

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Even though in February 2013 Raul Castro announced an introduction of deeper reforms during the 6th Plenum of the Communist Party of Cuba (PCC) which would allow to “update” the Cuban economy, “the improvements” to its model which have been implemented by him since 2008 have not brought any impressive results so far. He has been already trying to transform the obsolete socialist Cuban system into a more effective and better-organized one for the sixth year, but as P. Rumiński remarks these actions seem to be “insufficient and loosely coordinated.”<sup>17</sup> A fundamental change will be only possible after the Castro brothers leave the political stage, which is no earlier than in 2018 when the current term of Raul Castro expires. In the meantime, the newly elected Vice-President Miguel Díaz-Canel Bermúdez will be prepared for the post of the new ruler of Cuba. However, experts say that it is difficult to predict whether the younger one of the Castro brothers decides to delegate his power to his successor once his term expires or decides to prolong his rule once again.

The most likely scenario appears to be that R. Castro will remain the president, the status quo in the economy will be maintained and only slight changes, whose pace will be similar to the current ones and much slower than the economy requires, will occur. Moreover, significant limitations on investments and trade will further hamper the development, and a possibility of progress in solving both domestic and external economic problems will be slight. The most favourable scenario for Cuba would be a change at the highest levels of power which would make a perspective of an economic opening real. Rising to power by pro-reformist successors of R. Castro would trigger a process of changes which could give a chance to reduce barriers for investments and limitations concerning trade activities, and also possibly offer solutions for both internal and external problems. One of the most remarkable effects of leaving power by the Castro brothers completely would be a greater possibility of lifting the U.S. embargo. It is hard to deny the statement that

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<sup>17</sup> P. Rumiński, *Kuba – niezbyt pospieszna „aktualizacja” gospodarki*, Notabene, <http://notabene.org.pl/index.php/kuba-niezbyt-pospieszna-aktualizacja-gospodarki> (15.07.2014).

more proper relations between Havana and Washington would open up new opportunities for the island. Not only would streams of international exchange between the two countries be enlarged allowing greater trade diversification, but also a chance for an increased flow of capital and new technologies would be created, which might help to restructure the economy. Another no less important and worth highlighting factor is that scientists have a tendency to compare Cuba's economic transformation to the cases of Vietnam and China. However, this comparison has strong opponents who provide numerous arguments proving a different situation of Cuba in comparison with these Asian countries. They highlight particular differences in the economic environment, the pace of changes and a much worse economic state of Cuba. Vietnam and China may take advantage of the population dynamics and much better access to natural resources. These countries have also an advantage of their geopolitical location in a dynamically developing area. Neither of these countries has also experienced such a severe and long-lasting blockade by the United States as Cuba. An approach to foreign investments is completely different as Cuba is still unsure on the policy towards them, whereas China and Vietnam actively attract international capital.

It is difficult to give a clear answer to the question when changes occur on the island as this process depends on a number of variables. Only time will tell whether the recently elected Vice-President Miguel Díaz-Canel Bermúdez is the one who will navigate Cuba through transformation. But it is positive that Raul Castro will not be this man as he stresses that: "he was not chosen to transform socialism, but to safeguard it."<sup>18</sup> Therefore he has spared no effort to appoint as his successor a man who will be able to carry out a subtle country transformation, and to secure a safe political retirement for him. Although choosing this new leader definitely creates a chance for Cuba's economic opening, he will have a great challenge to fulfil expectations of numerous parties: leaders who have delegated the power to him, citizens who will count on an

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<sup>18</sup> K. Wirus, *Początek końca ery Castro. Nowy „drugi człowiek” na Kubie*, LA Program, <http://laprogram.pl/poczatek-konca-ery-castro-nowy-drugi-czlowiek-na-kubie> (27.03.2013).

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improvement in their standard of living and the world which will closely follow the situation. Articles appearing in the press inform on further changes. The Cuban authorities have recently decided to provide access to foreign currency credits to dynamize the private sector development. The government is said to introduce facilitation for small enterprises in order to induce their activities.<sup>19</sup> Although it still stresses that the aim of the carried out activities is not to walk away from socialism but to update the economy, it is difficult to predict the future political reality after the power shift. However, it is certain that Cuba will slowly become the economy of the 21st century standards, changes are only a matter of time.

### Conclusions

The economic reality of Cuba gives the evidence which might suggest a near end of the dictatorship and an improvement of the economic situation, but a precise prediction of the situation which will prevail on the island in the perspective of the nearest years is very difficult. Apart from numerous legal and economic aspects, a psychological factor is also of vital importance. Citizens' attachment to the rule of the Castro brothers who are still regarded as the saviours from the Batista dictatorship and a fear of results of reforms inevitable to change the system, make reforming the country highly difficult. What will the economic future of Cuba be like? Can we expect opening borders, a sudden influx of foreign investments and a new reality on the island in the near future? Will the authorities succeeding the Castro brothers rise to challenges posed by the 21st century world? It is difficult to answer such questions. Predicting what will happen in the country where history left its enormous mark, appears to be impossible. Therefore, it seems important to draw attention to tendencies of changes, which have certainly begun, as there is a low possibility that they will be halted, let alone reversed. No less than this,

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<sup>19</sup> *Kuba robi kolejny krok w stronę gospodarki rynkowej*, Money.pl, [www.money.pl/gospodarka/wiadomosci/artykul/kuba;robi;kolejny;krok;w;strone;gospodarki;rynkuwej;35,0,1255971.html](http://www.money.pl/gospodarka/wiadomosci/artykul/kuba;robi;kolejny;krok;w;strone;gospodarki;rynkuwej;35,0,1255971.html) (21.02.2013).



sudden and radical steps cannot be expected since the transformation process is not only difficult, but also highly long-drawn-out, which we could have experienced while witnessing Poland's transformation.

Even though different scenarios based on historical experience of other countries which have undergone a transformation are presented, the best solution for Cuba seems to be an analysis of the internal and external situation of the country so as to draw up a transformation path adjusted to it. An attempt to follow a particular example of a chosen country, where the transformation process is more advanced might not be effective in practice, as it may worsen the situation on the island instead of improving it. The most probable scenarios almost unanimously predict not only economic changes, but also those at high levels of politics, and the recent election of the new vice president proves them right.

Economic analysts have different theories on how the island situation may unfold, and they may be more or less correct. A claim that Cuba ought to build its own transformation model based on its society and the country needs gains more and more popularity. Such a solution appears to be the most sensible regarding a unique character of Cuba's history and the regime ruling over the island.

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